

# THE CITY OF WICHITA



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November 21, 1994

The Honorable Mayor and  
Members of the City Council  
City of Wichita  
Wichita, Kansas

Dear Mayor and Council Members:

The annual City Council deliberations on the budget presented the Council with an important opportunity to implement its vision and direction for the future. Demands for funding of programs/services far exceeded the capacity of financial resources to satisfy those demands. Budgeting required making tough choices in establishing program/service priorities and striking the always delicate balance between the community's need for public services and the reasonable ability and willingness of a community to pay taxes to finance those services.

## BUDGET OVERVIEW AND MAJOR POLICY ISSUES

The annual budget is an important policy document for the City Council — the point when the governing body is asked to approve a level of public programs and services, as well as the revenue and taxing policies to support those services for the coming years. The City Council has adopted an annual Budget using the Council's five goals/priorities and the Neighborhood Initiative as guiding points. For 1995, the Budget was adopted with ***no property tax increase***. The final mill levy in fact will be slightly lower because of an unanticipated 2.7% increase in final assessed valuation. Highlighted below are the Council's goals and new initiatives in the Budget:

### PUBLIC SAFETY

The City Council established public safety as its highest goal. Accordingly, the Budget identifies the greatest amount of discretionary financial resources to address this goal:

- Funding is included for the local match of federal/state grants which retains 12 existing and adds 10 new Community Police Officers (\$425,350 in 1995). This is in addition to the 20 locally funded Community Policing positions for 1994.
- Six support personnel are added to staff the new North and South substations (\$169,380).
- Increased support for Community Policing training is included (\$75,000).
- Capital outlay for Police equipment is increased (\$200,000).
- Funding has been increased to support an expanded Police Reserve program (\$40,500).
- Local funding is provided for domestic violence services (\$127,570).
- Court funding is increased for Probation staff and presentence investigations (\$67,500).
- The Budget provides funding for 500 new street lights in high crime areas (\$50,000).





## **ECONOMIC DEVELOPMENT**

The remaining four goals of the Council have equal priority. Much of the City's support for economic development is in the form of supportive capital projects and tax incentives. To assist economic development and growth, the adopted operating Budget includes the following:

- Building permit fees are discounted an additional 10% (from 15% to 25%).
- Additional building plans examination and code enforcement personnel are included to improve response times and services to the construction industry.
- Funding is included for agreed-upon incentives to secure the Multimedia Security headquarters facility.
- Funding is continued for WI/SE to support community-wide economic development efforts.

## **REVITALIZATION AND PRESERVATION**

To improve the community, neighborhoods, and housing, the adopted Budget provides:

- Expanded CLEAN Team efforts (\$121,550).
- Two Neighborhood Assistants (\$51,760) to support the Neighborhood Initiative.
- Funding of \$400,000 (\$300,000 from the General Fund and \$100,000 from a transfer of reserves from the Stationery Stores Fund) to support the Neighborhood Initiative.
- A Housing Director position to improve the management and restructuring of the City's centralized housing programs and services (\$79,430).

## **QUALITY OF LIFE**

New or expanded efforts included in the Budget to enhance the quality of life are:

- Expanded Park Day Care/Day Camp/School Holiday programs to provide Wichita youth with more recreation services as an alternative to the street (\$82,080).
- Expanded park/right-of-way maintenance on new freeways and in the Core Area (\$97,400).
- Increased reforestation funding (\$125,000).
- Increased nuisance abatement funding in Health (\$15,000).

## **ENVIRONMENTAL AWARENESS**

Supplementing existing efforts in resource conservation, the Budget includes:

- New/expanded programs funded from Landfill tipping fees for Environmental Education (\$310,000), Neighborhood Clean-up (\$75,000), Bulky Waste collection (\$75,000), and Household Hazardous Waste collection (\$375,000).
- Increased funding for the Neighborhood (Municipal) Court (\$20,000).
- Jointly with the County, funding for a ponding study of the Floodway (\$200,000 over two years) and riprap to commence critical levee repairs (\$200,000 per year).

From one-time General Fund expenditures, the 1995 Budget also adds funding of \$1 million to continue for a second year the supplemental appropriation for the Capital Investment Maintenance Program (streets and major facilities) plus funding for 21st Street redevelopment (\$750,000) and employee safety (\$125,000).



## 1994 REVISED BUDGET

The Budget includes revised estimates of current year (1994) revenues and expenditures. The procedure of revising the budget is an important element of financial management, designed to provide an updated estimate of revenue and expenditure trends in the current year and to improve budget development for the next year. The table (below) compares the "Adopted" and "Revised" 1994 General Fund revenues and expenditures.

<u>1994 GENERAL FUND</u>		
	<u>Adopted</u>	<u>Revised</u>
Revenues	\$113,292,680	\$116,858,890
Expenditures	113,292,680	116,216,790
Over/(Under)	0	\$ 642,100

On balance, forecasted increases in 1994 General Fund revenues offset expected (primarily one-time) expenditure increases. The positive trend in both 1993 and 1994 reversed a prior three year (1990-92) trend of annual revenues not offsetting annual expenditures.

The revised 1994 Debt Service Fund has increased primarily due to the assumption of debt service on bonds issued to support freeway (Kellogg and K-96) construction. This expense is totally supported from sales tax receipts dedicated for roadway purposes.

## 1995 ANNUAL BUDGET

The adopted 1995 Budget totals \$247,437,800, a 7.8% increase over the revised 1994 Budget of \$229,570,920. Both years are exclusive of sales tax cash expenditures for capital improvements, internal services, enterprise construction, and interfund transfers to eliminate double counting of expenditures and co-mingling of operating and capital expenses. The differences are primarily the result of public safety (primarily Police) enhancements, increases in employee benefits, debt service expenses, increased environmental costs associated with the Landfill, the addition of the State Office Building operational costs, and increased Storm Water Utility expenses.

The Budget includes selective use of cash reserves to maintain the current property tax levy and reduce water rates (from the previously approved 6% down to 3% for 1995) and building permit fees (by an additional 10%). In all funds, total expenditures are equal to available resources, as required by State law.

General Fund "operating" expenses in 1995 are \$119,890,910, a 5.5% increase over the revised 1994 General Fund of \$113,683,690 (this excludes one-time expenses and the appropriated reserves for 1994 and 1995 to provide the most direct comparison of anticipated operating expenditures). The increase is attributable primarily to increased public safety costs and employee compensation increases. Absent the increased costs for expanded public safety services, the increase in General Fund expenses from 1994 to 1995 is about the current rate of inflation.

## **PROPERTY TAX MILL LEVY**

Assessed valuation is the measure of property values in the City for taxation purposes. The preliminary assessed valuation was estimated at \$1,516,105,000, which included a growth factor of 1.8% in the addition of new property on the tax rolls in the past year. The final assessed valuation (used on taxpayers' November bills) was \$1,528,919,091 and represents a 2.7% growth factors. Final assessed values are set by the County after City's budget is adopted.

The levy required to finance the 1995 Budget is 31.3 mills, a slight decrease from the levy requirement for the current 1994 Budget. Through efficiency, productivity, and revenue diversification, the City has sought to reduce reliance on the property tax. Exemplifying this longstanding commitment, the City continues to have a lower tax levy than ten years ago.

On a comparative basis with the 22 other first class cities in Kansas, Wichita's mill levy remains well below the 41.2 mill average. When compared with the 24 other cities (all classes) within the Wichita MSA, Wichita's levy also compares favorably with the average of 38.2 mills. These averages are based on 1994 budget information, and the averages may be higher as other cities also adjust their tax levies for 1995.

The City actually appropriates two separate property tax levies: the General Fund (operating expenses) and the Debt Service Fund (to support the Capital Improvement Program). The City mill levies are allocated as outlined in the table below:

<b><u>CITY TAX LEVY FUNDS</u></b>			
	<b><u>1994</u></b>	<b><u>1995</u></b>	<b><u>1996</u></b>
General Fund	22.9	21.9	22.8
Debt Service Fund	8.5	9.4	10.2
<b>Total Tax Levy (mills)</b>	<b><u>31.5</u></b>	<b><u>31.3</u></b>	<b><u>33.0</u></b>

For the 1993 Budget, a General Fund tax levy increase of 2.5 mills was authorized to support public safety enhancements (primarily in Police). This was to be temporarily offset by a reduction in the Debt Service Fund tax levy which was to be restored on a phased basis in the 1994 and 1995 Budgets. For the 1994 Budget, .6 of a mill was restored. Due to a favorable fund balance in the General Fund, the phase-in of the remaining levy increase can be delayed an additional year. To provide for no overall City property tax levy increase for the 1995 Budget, the General Fund levy is reduced by approximately 1 mill offsetting a similar increase in the Debt Service Fund.

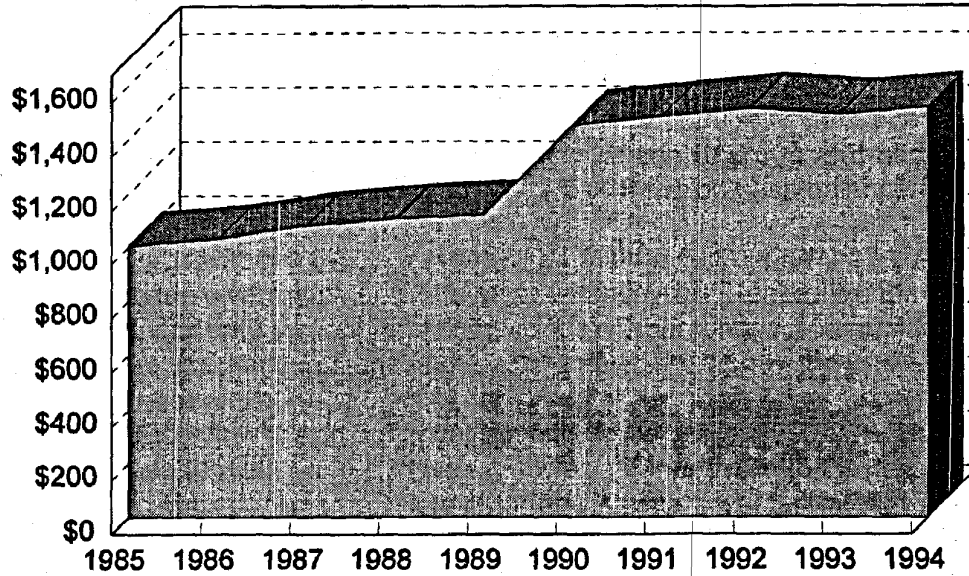
The mill levies projected (above) do not include a possible .7 of a mill increase which will be required for the 1996 Budget to support the transit system. Federal grant support is declining and an increase in local subsidy of transit services (or a major reduction in service levels) will be required.

The delinquency rate is maintained at 6% (lower than the 7% rate in the last two years but still higher than the City's historical 5% tax delinquency rate pre-reappraisal).

## ASSESSED VALUATION

1985 - 1994

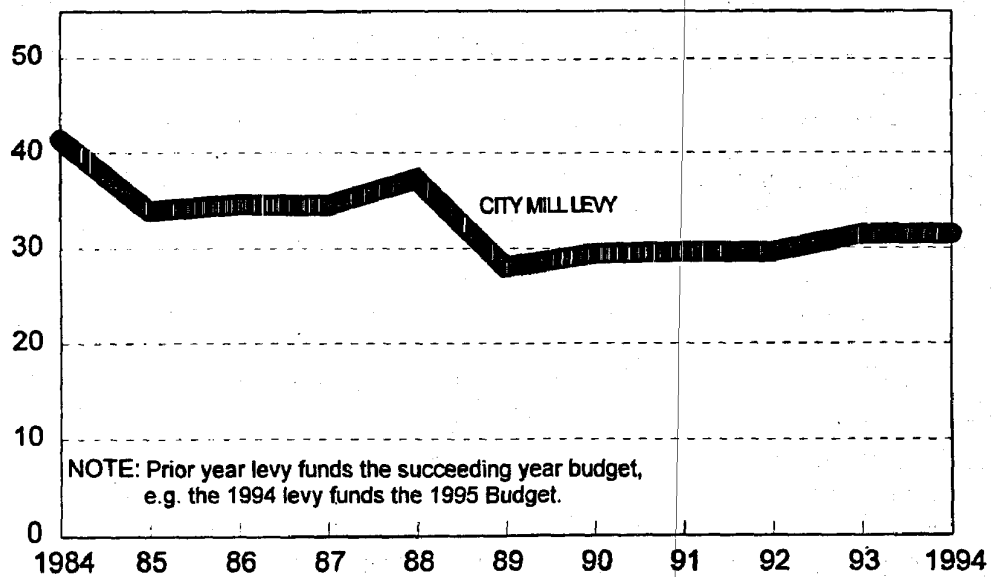
MILLIONS OF DOLLARS



## CITY MILL LEVY

1984 to 1994

MILLS



## **1995 ANNUAL BUDGET REVENUES/EXPENDITURES**

**REVENUES:** Budgeted revenues for 1995 of \$260,665,191, compared to 1994 (revised) revenues of \$245,919,680, are derived from the sources shown on the graph (next page). To the extent possible, the 1995 Budget continues to identify new revenue sources to maintain and enhance public services while mitigating some of the demands on property taxes.

Included in the budget are increased user fees to more equitably place the burden of paying for service on those using and benefiting from the service. Some of the planned increases include: a \$3 per case domestic violence court fee (for cost recovery), a \$3.50 per ton landfill tipping fee increase, a 5¢ per ride bus fare increase (initially approved for 1994 but not yet implemented), and increases in Century II/Expo Hall rental fees (4%). The Water and Sewer utility makes a \$400,000 payment to offset the cost of providing public safety services to the facilities and assets of the utility. Annual rate increases for water (3%) and sewer (8%) are also anticipated for 1995; in the case of water, this is a reduction from a 6% rate increase previously adopted down to 3%. Building permit fees are planned to be reduced by 10%.

As the City continues to grow and experience greater demands for services, the stress on City finances will increase. Efforts to reduce costs, and to make services more efficient and responsive will continue. To meet the many desires of adding to and improving our community services/facilities, future consideration should be given to new revenue sources. Possible prospects would include: a city sales tax to support public safety; a wheel tax to support street maintenance; or a food/beverage tax to support cultural/recreational/entertainment facilities, or other activities that make Wichita a quality city.

**EXPENDITURES:** The 1995 expenditure total of \$247,437,800 compares to 1994 (revised) expenditures of \$229,590,920. The chart (next page) summarizes expenditures by program/service groups. Again this year, public safety represents the single largest expenditure of funds.

Debt service, the payment of principal and interest on all outstanding indebtedness of the City, and cash for capital projects in-lieu-of-bonding, is the second largest expense item. The increase in debt service expenses is primarily attributable to the issuance of bonds to support freeway construction with the cost entirely paid from the existing local sales tax. The table (below) shows another view of the City's budget, expenditures by category:

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Personal Services	38%
Contractual Services	20%
Commodities	5%
Capital Outlay	4%
Other (incl, debt and interfund transfers)	33%

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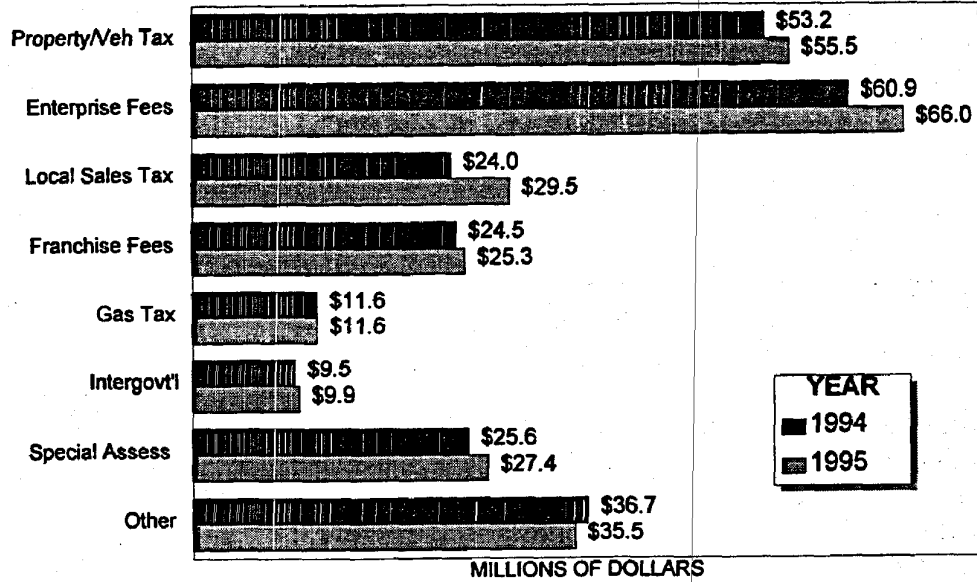
Personnel costs represent the largest single expense item, accounting for more than 38% of the total budget (71% of the General Fund). Gross wages and benefits for 1995 reflect increases for employee general and merit pay adjustments as well as increases in employee benefit costs for health insurance. A significant portion of the contractual expenses represents the City's efforts to contract-out work to the private sector. Discretionary spending in areas such as commodities and capital outlay represents a relatively small portion of the Budget.



## TOTAL REVENUES

1994 - 1995

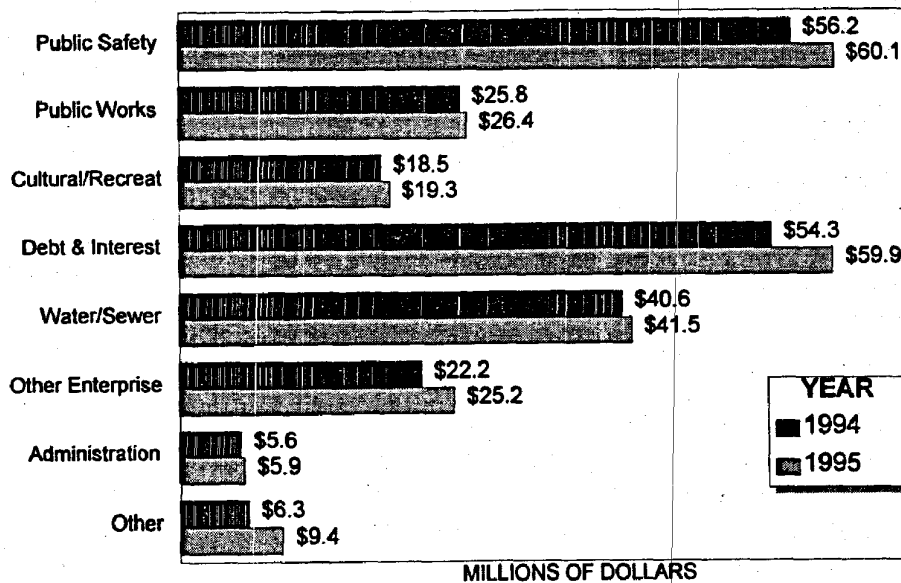
\$245,919,680 - \$260,665,191



## TOTAL EXPENDITURES

1994 - 1995

\$229,570,920 - \$247,437,800



## **1995 GENERAL FUND BUDGET**

The General Fund is the principal operating budget supporting basic municipal programs/services. It is one of two funds directly supported by the property tax. Funded operations are Police, Fire, Public Works, Park, Library, Art Museum, Law, Municipal Court, Finance, Health, Human Services, City Council, City Manager and General Government (Personnel, Public Information, Intergovernmental Affairs, Property Management and Housing).

The total 1995 revenues for the General Fund are projected at \$119,377,930. This amount compares with the 1994 (revised) budget of \$116,858,890. A graphic summary of General Fund revenues is shown (on the following page). The (ad valorem) property tax represents only 28% of total General Fund revenues.

The diversity of the General Fund revenue base also makes it more sensitive to fluctuations in the local economy. This was very apparent during the 1990-92 period as projected revenue growth declined (due primarily to the recession) at a time when the General Fund was experiencing higher than normal expenditure pressures. For the 1993-94 period, revenues exceeded expenditures, restoring the General Fund reserves.

The General Fund anticipates a moderate drawdown of the fund balance to maintain an overall stable tax levy for 1995. Public safety represents half of all expenditures.

Budgeted 1995 General Fund "operating" expenditures are \$119,890,910, compared with 1994 (revised) expenses of \$113,683,690. The increase in expenses is due to the program of public safety enhancements, mandated cost increases, and employee compensation/benefit increases.

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### **MAJOR GENERAL FUND EXPENDITURE INCREASES**

• Local Match for 10 Additional Police	\$ 425,350
• Police Substation Staff Support	169,380
• Community Policing Training	75,000
• Police Equipment	200,000
• Police Reserve equipment	40,500
• Domestic Violence support	127,570
• Court Funding (Probation and presentence investigations)	67,500
• 500 High Crime Area Street Lights	50,000
• Neighborhood Assistants	51,760
• Housing Restructuring	79,430
• Expanded Day Care/Day Camp/School Holiday programs	82,080
• Expanded park/right-of-way maintenance	97,400
• Floodway ponding study and levy repair (City share)	150,000
• Health Insurance Premium Increases (employer share)	861,000

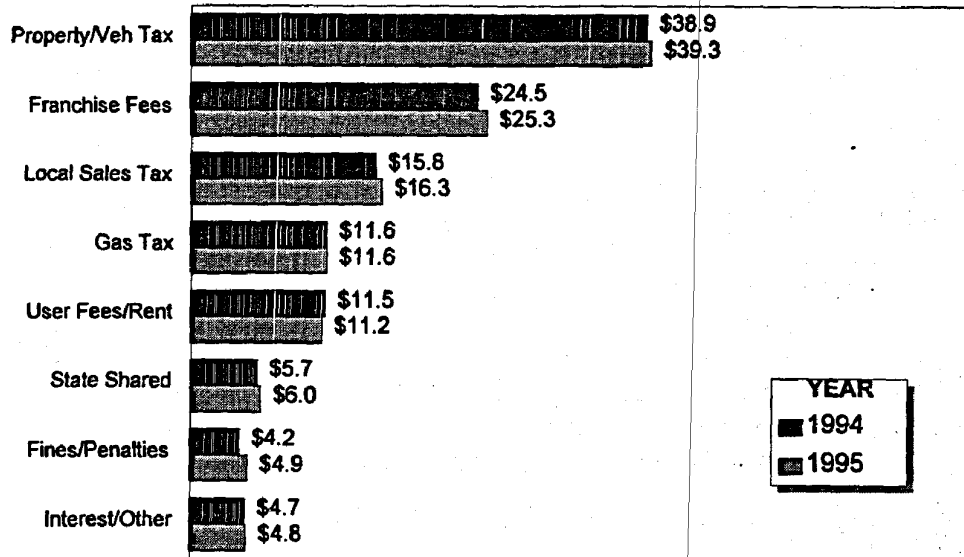
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The General Fund continues the contingency fund (\$300,000) for expenditures not known nor anticipated at the time of budget preparation. If this amount is exceeded during the fiscal year, the additional cost must be absorbed from reserves. The year-end 1995 General Fund cash/balance is estimated at \$11,842,427, or approximately 9.9%. State law permits maintenance of a total 15% reserve (5% unappropriated reserve and 10% appropriated reserve).

## GENERAL FUND REVENUES

1994 - 1995

\$116,858,890 - \$119,377,930

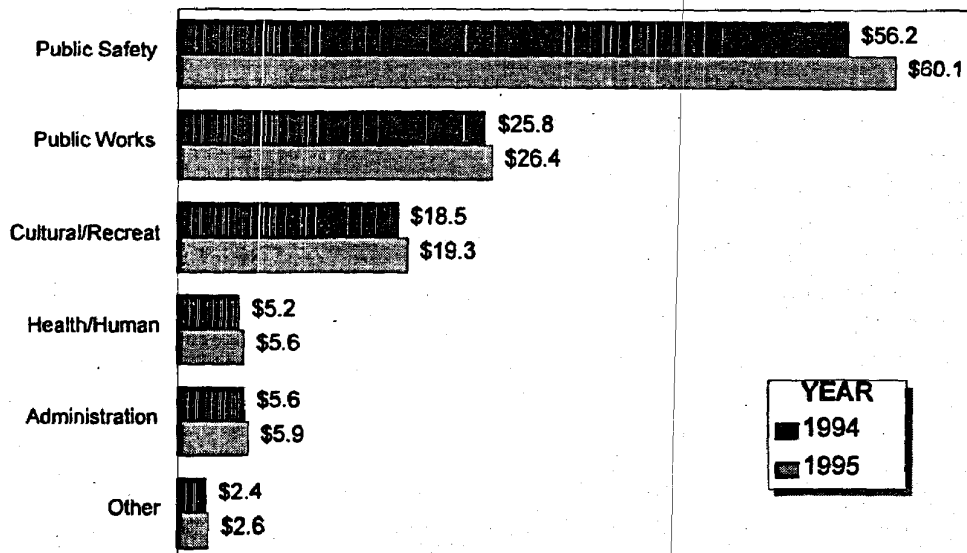


MILLIONS OF DOLLARS

## GENERAL FUND OPERATING EXPENDITURES

1994 - 1995

\$113,683,690 - \$119,890,910



MILLIONS OF DOLLARS

### **WATER/SEWER FUND**

A 1993 refinancing of outstanding water/sewer debt (taking advantage of lower interest rates) moderated future rate increases. Cash reserves are sufficient to finance a portion of Utility capital expenditures on a pay-as-you-go basis. The capital program of the Water Utility has also been restructured reducing immediate demand for increased debt financing costs. For 1995, the previously approved 6% rate increase in Water can be reduced to 3%. The previously approved 8% Sewer rate increase is still required.

### **LANDFILL FUND**

The funding of the City's Reforestation program was transferred by the City Council from the General Fund to the Landfill Fund for 1994, and is budgeted to increase from \$125,000 to \$250,000 in 1995. Other program enhancements include increases for Environmental Education, Neighborhood Clean-up, Bulky Waste collection, and Household Hazardous Waste. Additionally, funds will be transferred into the Environmental Management Trust Fund (\$840,000 in 1995 and \$905,000 in 1996) providing funding for environmental initiatives approved by the Council to address solid waste management, resource recovery and other environmental programs. A \$3.50 per ton increase in tipping fees is required to finance these programs.

### **METROPOLITAN TRANSIT FUND**

The City continues to be faced with the prospect of increasing local tax subsidies for the transit system. Operating revenues (farebox) have declined in 1994. A 5¢ fare increase (from 85¢ to 90¢) approved for implementation in 1994 is on hold. Federal grant support of mass transit will decline beginning in 1995. This may leave local tax subsidies as the only source to absorb transit costs. Absent alternative revenue sources to offset the loss of Federal funds or major reductions in transit services, the local tax subsidy is anticipated to grow from \$2.1 million (39% of revenues) in 1994 to \$3.3 million (56% of revenues) by 1996.

### **GILBERT & MOSLEY TAX INCREMENT FUND**

The tax increment district was established to provide a portion of the funding for the remediation of groundwater contamination. The tax increment is \$432,000 for 1995. Following approval by the State of the City's RI/FS and remediation action plan, work is expected to commence.

## **APPROVED BUDGET FOR 1996**

The Approved 1996 Budget is \$252,425,420 in expenditures. In the General Fund portion of the 1996 Budget, expenditures are estimated at \$123,896,000. Estimated expenditures include funding the 1995 program/service levels, as well as funding of anticipated employee compensation and medical premium increases. No major new or expanded programs/services are budgeted at this time. Future actions by the City Council or unforeseen needs may necessitate additional revisions in this budget projection.

The 1996 Budget may require a 2.7 mill property tax levy increase (adjusting the City levy from 31.3 to 34.0) to fully restore the property tax funding of the Debt Service Fund (1 mill), restore the General Fund levy (.9 mill) and provide increased local support for transit (.7 mill). Water (7%) and Sewer (8%) rate increases, pursuant to the utility rate study, are also anticipated; however, the

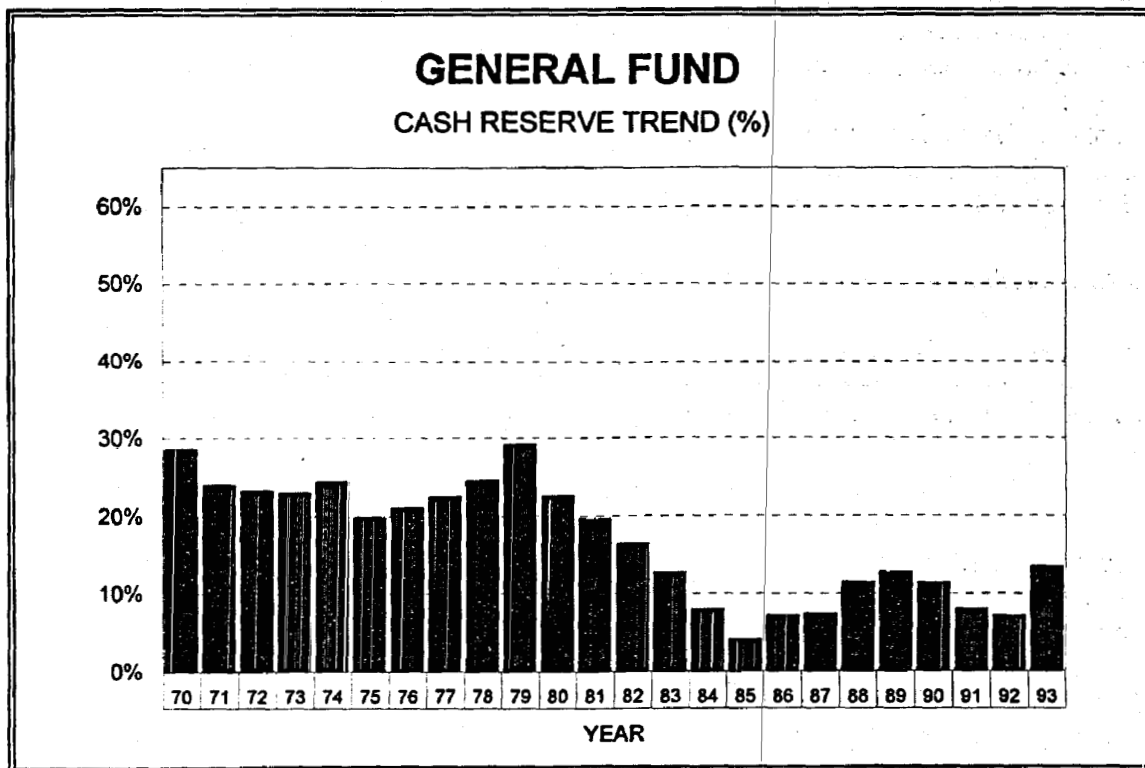
necessity of these increases will be subject to further review in advance of adoption of the 1996 Budget. A \$1.50 per ton increase in Landfill tipping fees is projected for 1996.

## CASH RESERVES

Throughout the budget development process, staff was cognizant of the need to project realistic cost estimates and revenue forecasts for future years to ensure financial stability and prevent operating deficits. The importance of maintaining reserves is to properly manage adverse revenue/expenditure changes during the year and to ensure an adequate carryover operating fund balance to avoid sharp increases in the City's mill levy in the future, or cut-back management practices. The General Fund closed out 1993 with a \$14.6 million cash balance/reserve.

Projected cash reserves within a 5-10% range will be maintained during the two-year (1995/96) budget period. Given the diversity of the City's revenue base, the General Fund reserve (ideally) should be maintained closer to the high end of the range. Other funds maintain separate reserves at levels based on the fiscal circumstances of each fund.

The need for a cash reserve was apparent over the prior three years (1990-92). The City was able to fund one-time expenses, absorb the impact of lower revenues due to the recession, and pay expenses associated with public safety, protests, and severe weather without indiscriminately reducing support for important municipal services.



Reserves are now moderately above the 10% threshold providing the City Council with financial flexibility in meeting future public service needs while holding the line on tax rates for 1995. As a point of reference the chart (above) depicts a 24-year actual trend in reserves.

## CAPITAL IMPROVEMENT PROGRAM

A new 1995-2004 *Capital Improvement Program* (CIP) is nearing completion. The capital budget follows established CIP guidelines adopted by the City Council in tax levy support and bond financing terms (either 10- or 15- year debt maturities) for general obligation debt.

The CIP is also being developed recognizing several revenue changes by incorporating increased Federal revenues for the arterial roadway program, reduced property tax revenues (during 1993/94/95), and the elimination of special assessment revenues on arterial projects. Overall, the combined impacts of these revenue adjustments are offsetting. The chart (on the following page) outlines the capital project expenses by category as shown in the current 1994-2003 CIP document.

Based on earlier projections, the ten-year program is estimated to cost approximately \$900 million. This number is subject to revision as the new CIP is developed and as the specific project schedules and financing projections come closer to realization.

Property taxes account for approximately 12% of the ten-year program costs. In addition to (mill levy supported) bonding, revenues to support this program will be principally derived from sales tax, special assessments, utility income, and Federal/State assistance.

The CIP financing program assumes that annual contributions of \$4 million from local sales tax receipts will continue to be allocated by the City Council to the arterial road/bridge improvement component of the CIP to enhance traffic flow throughout the City. Should the sales tax allocation be reduced, projected programs will be modified.

Federal/State allocation of highway funds has now been determined. Earlier CIP estimates projected up to \$135 million in Federal/State funding; projects within the City received approximately \$70 million. A continuing review of the local financing options of freeway construction costs is underway. It is apparent, however, that local resources are insufficient to complete construction of the entire US-54/Kellogg freeway corridor.

Financing plans approved by the City Council provide for construction on Kellogg to be completed from the west into the downtown and east through Oliver. Engineering and (limited) right-of-way funding was also authorized for the Woodlawn and Rock Road interchange projects.

General obligation debt outstanding, excluding special assessment and revenue bond supported, is scheduled to decrease during the program period. This reduction is from a projected \$92.2 million indebtedness (\$468/capita) in 1994 to \$53.7 million (\$142/per capita) in 2003. The chart (on the following page) shows the projected level of bonded indebtedness, including the impact of new debt to be issued during the period.

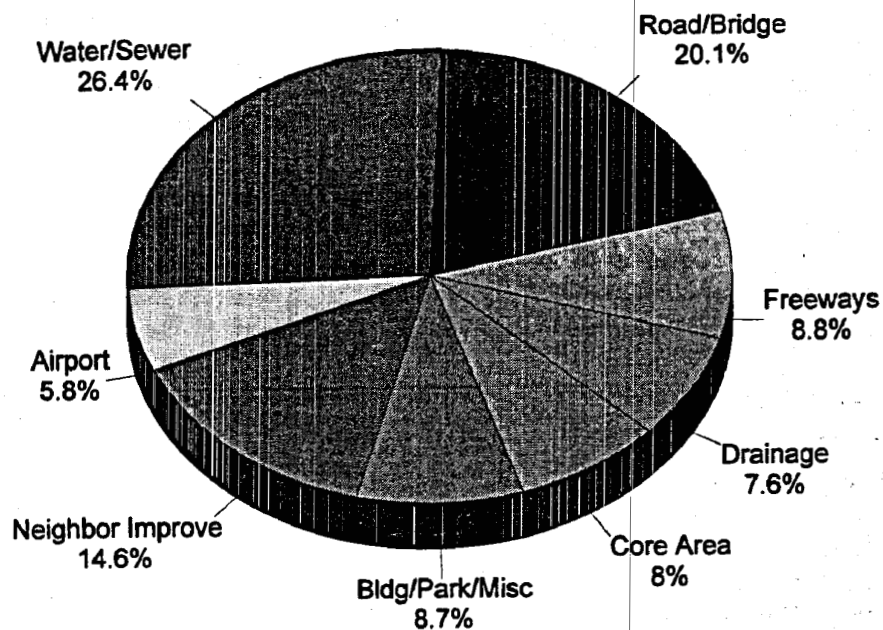
The CIP provides for the option to reduce the issuance of general obligation bonds for annually recurring capital projects beginning in 1998. At that time, the City can utilize savings in debt service to begin financing capital projects on a "pay-as-you-go" basis, or utilize the future debt capacity to fund increased bond issuance.

Detailed information on the Capital Improvement Program is available in the current 1994-2003 CIP document, and will be updated as the proposed 1995-2004 CIP is published in the near future.

## CAPITAL IMPROVEMENT PROGRAM

1994 - 2003 EXPENDITURES

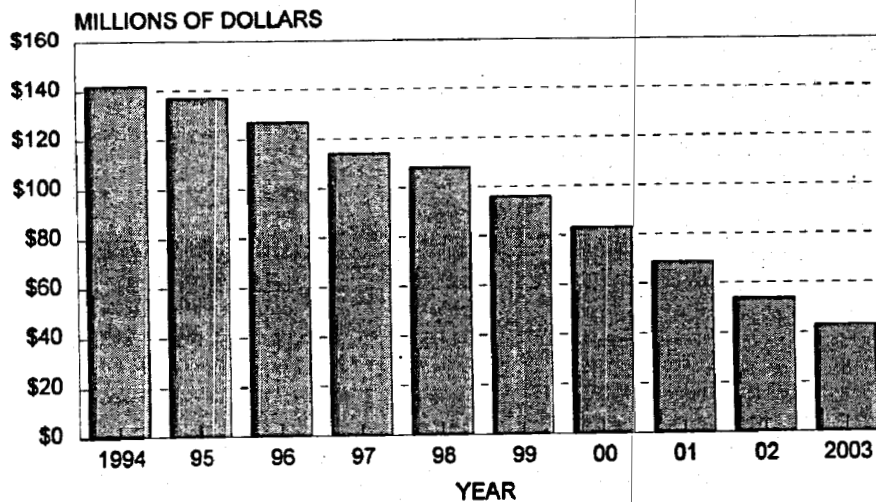
\$902,436,000



## IMPROVING AND ECONOMIZING OPERATIONS

### NET GENERAL OBLIGATION DEBT

1994 - 2003



Note: Net GO debt is directly payable from property tax levy.

The budget continues to focus on ways to reduce costs and do more with less. For 1995, departments were particularly asked to absorb all but a few inflationary costs in contractual, commodities, and capital outlay accounts through the "base budget" directive.

New and innovative management techniques must be developed and skillfully applied if the City is to continue to provide responsive municipal programs/services at a reasonable cost to the public. Several departments have identified ways and means to secure additional revenue to offset new expenses. Others have applied to the "Savings Incentive Program," which was established in 1990 to "lend" money to departments that can implement cost efficiencies and recover start-up expenses from the savings in annual operating expenses.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, and less costly, methods to provide services are ways in which the City can substantially reduce or stabilize costs to keep City services as low as possible. A few of the areas under study and/or implementation include:

- [a] Continue work to address the Privatization Task Force recommendations to determine the most economical approach to service delivery, including contracting/privatization.
- [b] Implement total quality management techniques, including employee teams, to address work-related problems and provide more cost-effective program delivery.
- [c] Work with County government to identify opportunities for greater cooperation in coordinating and structuring organizations to provide public services/functions in a more efficient and cost-savings manner.
- [d] Continue efforts to actively pursue Federal/State assistance to improve downtown areas, housing, streets, public safety, environmental services, and cultural programs.
- [e] Reorganize the City's housing services to focus on expanded efforts in home ownership, housing rehabilitation and public assistance for low/moderate income citizens.
- [f] Implement automated parking citations and parking enforcement to reduce costs and improve detection of stolen and improperly registered or licensed vehicles.
- [g] Foster expanded volunteerism and involvement of citizens in the Neighborhood Initiative and in areas of environmental, public safety, and park and leisure services support.

## **CONCLUSION**

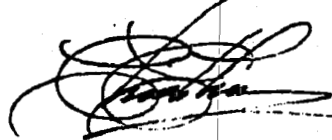
A number of budget goals and strategies were established to guide the formulation of the 1995/96 Budget. Some of these include:

- Address the City Council's goals/strategies, especially public safety.
- Prioritize Neighborhood Initiative strategies for implementation.
- Increase efficiency/economy in City services/operations.
- Explore alternative delivery of public services.



The 1995/96 Budget addresses these goals/strategies, and continues to maintain the City's financial stability while addressing critical needs and essential services. The budget presents a balanced program of services and makes a rigorous effort to control costs while providing for quality programs and services important to the citizens of Wichita.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chris Cherches", is written over a horizontal line.

Chris Cherches  
City Manager

**ACKNOWLEDGEMENTS:** Formulating and preparing a budget document is the result of countless hours of work by many individuals. Department Heads (and their Staffs) worked diligently and are commended for their efforts. The Budget Review Cabinet did an exemplary job in evaluating budget requests. Special thanks and appreciation are extended to the Finance Staff for their long hours and hard work: Ray Trail, Barbara Ciboski, Rob Raine, Bob Lancaster, Toni Johnston, Jeanne Hernandez, Kathy Pewewardy and Kirk Zoellner.